UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ELEKTRA PRINTZ GORSKI Plaintiff v. WHOLE FOODS MARKET, INC. AND WHOLE FOODS MARKET GROUP, INC. Defendants	15 Civ. 2983 (AJN) (JLC)

MEMORANDUM OF LAW IN SUPPORT OF MOTION TO DISMISS UNDER RULE 12(b)(2) AND MOTION TO STRIKE UNDER RULE 12(f)

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INTRODUCTION

In early March 2015, Plaintiff contacted Defendants (collectively, "Whole Foods") regarding her alleged rights in the phrase LETTUCE TURNIP THE BEET. Only weeks later—while Whole Foods was still actively investigating and communicating with Plaintiff about an amicable resolution—Plaintiff filed this lawsuit.

In her fervor to reach the courthouse, Plaintiff overlooked (or simply ignored) several deficiencies in her complaint. To start, the complaint names a defendant over which this Court has no jurisdiction: Whole Foods Market, Inc. ("WFMI"), a Texas holding company that has no contacts with New York. The complaint also impermissibly refers to statements made by Whole Foods during confidential settlement discussions. Finally, as Whole Foods will explain in a separately filed motion and memorandum, Plaintiff filed the complaint in an inconvenient forum where her claims did not arise, where she does not live, where neither Defendant is headquartered, and where no witness or evidence is located.

This motion and memorandum seek relief on the first two issues. First, WFMI asks the Court to dismiss the complaint against it for lack of personal jurisdiction. *See* Fed. R. Civ. P. 12(b)(2). Second (and subject to WFMI's jurisdictional challenge), both Defendants ask the Court to strike the references in Plaintiff's complaint to statements made during settlement discussions. *See id.* 12(f); *see also* Fed. R. Evid. 408(a).

FACTS

A. Plaintiff's Demand Letter

On March 7, 2015, Plaintiff sent a cease-and-desist letter to Whole Foods regarding Plaintiff's alleged rights in the LETTUCE TURNIP THE BEET. Declaration of Christopher L. Graff ("Graff Decl.") ¶¶ 3-4 & Exh. 1. Plaintiff claimed ownership of two federal trademark registrations and aggressively argued that certain products sold at unidentified Whole Foods

Market retail stores—specifically, a small number of t-shirts and tote bags—were infringing and counterfeiting her alleged trademark. *Id.* Exh. 1. Plaintiff demanded that Whole Foods provide her with detailed product and sales information from the company's 400-plus U.S. stores by March 10, 2015, just two business days later. *Id.* She indicated that the purpose of her demand was to "work towards a resolution of this matter." *Id.*

B. Pre-Lawsuit Settlement Discussions

Immediately after receiving the demand letter, Whole Foods' outside counsel contacted Plaintiff about resolving the dispute amicably. *Id.* ¶ 5 & Exh. 2. Meanwhile, Whole Foods began investigating to identify the products at issue and collect the sales information demanded by Plaintiff. *Id.* ¶ 5. These efforts by Whole Foods to resolve the dispute without litigation continued through (and after) Plaintiff's sudden filing of the complaint on April 17, 2015—only weeks after her demand letter. *Id.*

C. Plaintiff's Complaint—Parties

Plaintiff's complaint accuses Whole Foods of trademark counterfeiting, trademark infringement, and unfair competition. Dkt. # 1 ("Complaint") ¶¶ 77-101 (citing 15 U.S.C. §§ 1114, 1125(a)). Among other things, the complaint seeks potentially millions of dollars in statutory damages, attorney's fees, and an injunction ordering Whole Foods to stop selling products it has already pulled from its shelves voluntarily.[1]

The complaint names two corporate entities as defendants: Whole Foods Market, Inc. (WFMI), and Whole Foods Market Group, Inc. (WFMG). The first entity, WFMI, is a Texas

[1] Because Plaintiff deliberately withheld product-tracking information, Whole Foods believed in good faith it had pulled all products at issue, when a small quantity in a limited number of stores in one region initially remained on the shelves. Only after filing this lawsuit did Plaintiff finally provide the necessary product-tracking information. Whole Foods was then able to identify and pull the remaining inventory.

corporation with its principal place of business in Austin, Texas. Declaration of Patricia D. Yost ("Yost Decl.") ¶¶ 2-3. WFMI is a holding company that serves as the corporate parent for the subsidiary companies in the Whole Foods family. *Id.* ¶ 4. Each of those subsidiary companies maintains independent status as a corporation, partnership, or limited liability company. *Id.* ¶ 5.

WFMI does not manufacture, advertise, distribute, or sell any products—whether in New York or elsewhere. *Id.* ¶¶ 6-7. WFMI conducts no business in New York and is not licensed to conduct business in New York. *Id.* ¶ 8. It has no employees in New York, has no offices in New York, does not own or lease any real property in New York, and has no registered agent for service of process in New York. *Id.* ¶¶ 9-11.

The second entity named in Plaintiff's complaint, WFMG, is a Delaware corporation. *Id.* ¶ 12. Like WFMI, its principal place of business is in Austin, Texas. *Id.* ¶ 13.

D. Plaintiff's Complaint—Settlement Discussions

In her complaint, Plaintiff repeatedly refers to statements made by Whole Foods during the parties' confidential settlement discussions. *See* Complaint ¶¶ 43-53, 55-56, 58. Those settlement discussions occurred after Whole Foods received Plaintiff's cease-and-desist letter on March 7. Plaintiff's complaint uses the statements to show Whole Foods' supposed liability. *See, e.g.*, *id.* ¶ 43 (alleging that Whole Foods "conceded [its] unauthorized activity"); ¶¶ 47-48, 50 (alleging that Whole Foods "admit[ted]" to infringing Plaintiff's alleged trademark).

After receiving the complaint, Whole Foods objected to the inclusion of these confidential statements. Whole Foods asked Plaintiff's counsel to withdraw the complaint and remove the improper statements. Graff Decl. ¶ 10 & Exh. 5. Plaintiff's counsel refused (twice), offering several muddled arguments about why the complaint is supposedly proper. *Id.*; *see also infra* Argument, Part II.B.

ARGUMENT

I. The Court lacks jurisdiction over WFMI.

In her zeal to file this lawsuit, Plaintiff sued a corporation over which this Court has no jurisdiction. Defendant WFMI is a Texas holding company that conducts no business in New York and has no contacts in New York. Under both New York state law and the federal Due Process Clause, this Court lacks jurisdiction over WFMI. The Court should dismiss WFMI under Fed. R. Civ. P. 12(b)(2).[2]

A. Plaintiff must prove personal jurisdiction under both New York state law and the federal Due Process Clause.

"'[P]laintiff bears the burden of showing that the court has jurisdiction over the defendant.'" *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 418 (S.D.N.Y. 2006) (quoting *Kernan v. Kurz–Hastings, Inc.,* 175 F.3d 236, 240 (2d Cir. 1999)). To meet this burden at the Rule 12(b)(2) stage, the plaintiff must first make "a prima facie showing of jurisdiction through its own affidavits and supporting materials." *Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez*, 171 F.3d 779, 784-84 (2d Cir. 1999)). If the plaintiff makes that initial showing, the parties will conduct jurisdictional discovery, after which the plaintiff must prove jurisdiction by a preponderance of the evidence. *Volkswagenwerk Aktiengesellschaft v. Beech Aircraft Corp.*, 751 F.2d 117, 119-20 (2d Cir. 1984).

This Court conducts a two-part test for personal jurisdiction over a non-domiciliary. *Merck*, 425 F. Supp. 2d at 419. The Court first determines whether jurisdiction exists under the law of the forum state. *Id.* If jurisdiction exists under state law, the Court then determines whether exercising jurisdiction would satisfy federal due process requirements. *Id.* (citing *Bank*

[2] The jurisdictional defect affects WFMI only. WFMG does not seek dismissal for lack of personal jurisdiction.

Brussels, 171 F.3d at 784). To prevail here, Plaintiff must therefore prove that WFMI is subject to jurisdiction under both New York law *and* the federal Due Process Clause. She cannot show either, even prima facie.

B. New York law does not create jurisdiction over WFMI.

Unlike in some states, the jurisdictional reach of New York courts does not coextend with federal due process. *Licci ex rel. Licci v. Lebanese Canadian Bank, SAL*, 673 F.3d 50, 60-61 (2d Cir. 2012). Rather, New York has "restrict[ed] the class of people over which its courts can exercise jurisdiction." *Kearney v. Todd L. Smith, P.A.*, 624 F. Supp. 1008, 1012 (S.D.N.Y. 1985).

Before reaching the Due Process question, then, a plaintiff must establish jurisdiction under New York law. *See Licci*, 673 F.3d at 60-61. To do so, the plaintiff must show either "general" jurisdiction under N.Y. C.P.L.R. section 301, or "specific" jurisdiction under N.Y. C.P.L.R. section 302. *Rates Tech. Inc. v. Cequel Commc'ns, LLC*, 15 F. Supp. 3d 409, 414-15 (S.D.N.Y. 2014). Neither type of jurisdiction applies to WFMI.

1. The Court lacks general jurisdiction under N.Y. C.P.L.R. § 301.

General jurisdiction under section 301 requires the defendant to have engaged in "continuous, permanent, and substantial activity in New York." *Id.* (quotation omitted). For a corporate defendant, this standard requires being "present" and "do[ing] business" in New York "with a fair measure of permanence and continuity." *Id.* (quotation omitted). Relevant facts include the existence of an office in New York; the solicitation of business in New York; the presence of bank accounts or other property in New York; and the presence of employees or agents in New York. *Id.* (citing *Landoil Res. Corp. v. Alexander & Alexander Servs., Inc.*, 918 F.2d 1039, 1043 (2d Cir. 1990)).

Plaintiff has not alleged any of these facts, nor can she. Far from conducting business in New York with a "fair measure of permanent and continuity," WFMI conducts *no* business in

New York (and is not even licensed to do so). Yost Decl. ¶ 8. WFMI is a holding company that serves as the corporate parent for Whole Foods' many subsidiary companies. *Id.* ¶ 4. WFMI does not manufacture, advertise, distribute, or sell any products—whether in New York or elsewhere. *Id.* ¶¶ 6-7. It has no offices in New York, no employees in New York, no bank accounts in New York, and no registered agent in New York. *Id.* ¶¶ 9-11.

Failing to recognize her mistake, Plaintiff's complaint inaccurately describes WFMI's business. Plaintiff alleges that "Defendants [including WFMI] are Delaware corporations doing business in New York." Complaint ¶ 7. But WFMI is a Texas corporation, not a Delaware corporation, and it does no business in New York. Yost Decl. ¶¶ 2, 8. Plaintiff also wrongly alleges that WFMI "manufacture[s]," "distribute[s]," "promot[e]," "advertise[s]," and "sell[s]" merchandise. Complaint ¶¶ 33, 40, 61. WFMI does none of those things. Yost Decl. ¶¶ 6-7.

At bottom, Plaintiff overlooks (or misunderstands) that WFMI is merely a holding company, and that Whole Foods' subsidiary companies are responsible for conducting the business Plaintiff describes. *See* Yost Decl. ¶¶ 4-5. New York courts have routinely rejected general jurisdiction over nonresident holding companies—even those that actually conducted *some* business in New York (unlike WFMI, which conducts none). *See, e.g.*, *J.L.B. Equities, Inc. v. Ocwen Financial Corp.*, 131 F. Supp. 2d 544, 547-50 (S.D.N.Y. 2001) (rejecting general jurisdiction over a holding company that bought and sold securities with the Bank of New York); *Insight Data Corp. v. First Bank Sys., Inc.*, No. 97 Civ. 4896 (MBM), 1998 WL 146689, at *4-6 (S.D.N.Y. Mar. 25, 1995) (rejecting general jurisdiction over a holding company that owned three pieces of real property and one bank account in New York).

Further, the New York activities of WFMI's subsidiaries do not create general jurisdiction over WFMI. "[T]he presence of a local corporation does not create jurisdiction over a related, but independently managed, [nonresident] corporation." *Volkswagenwerk*, 751 F.2d at 120; *see also United States v. Best Foods*, 524 U.S. 51, 61 (1998) (noting the "deeply ingrained" legal and economic principle that a parent corporation "is not liable for the acts of its subsidiaries"). Although New York law creates two limited exceptions to this rule—the "mere department" exception and the "agency" exception—Plaintiff has not alleged (and cannot allege) facts to support either exception. *See Reers v. Deutsche Bahn AG*, 320 F. Supp. 2d 140, 150-53 (S.D.N.Y. 2004). As a result, this Court lacks general jurisdiction under section 301.

2. The Court lacks specific jurisdiction under N.Y. C.P.L.R. § 302.

As an alternative to general jurisdiction, a plaintiff may establish specific jurisdiction under the New York long-arm statute, section 302. *Rates Tech.*, 15 F. Supp. 3d at 415. Section 302 "narrows the scope of non-residents who may be sued in New York courts," *Kearney*, 624 F. Supp. at 1012, relative to the more lenient requirements of federal due process. *See Licci*, 673 F.3d at 60-61. The statute lists several acts that create New York jurisdiction—e.g., "transact[ing] any business within the state"—but only when the cause of action "aris[es] from" those acts. N.Y. C.P.L.R. § 302(a)(1)-(4); *see also Sole Resort, S.A. de C.V. v. Allure Resorts Mgmt., LLC*, 450 F.3d 100, 103-04 (2d Cir. 2006) (requiring an "articulable nexus" or a "substantial relationship" between the defendants' New York acts and the plaintiff's claims).

Plaintiff's complaint does not allege specific jurisdiction. The complaint says (wrongly) that WFMI "does business in this District," Complaint ¶ 4, but that allegation refers at most to general jurisdiction (on which Plaintiff also fails, *see supra* Part I.B.1). Plaintiff never identifies any specific New York acts by WFMI under section 302. Nor does she identify the required "articulable nexus" or "substantial relationship" between those (non-existent) acts and her claims. *See Sole Resort*, 450 F.3d at 103-04.

Plaintiff's failure to make these basic allegations is telling. Her complaint spends nearly 50 paragraphs discussing Whole Foods' allegedly infringing use of LETTUCE TURNIP THE BEET. *See* Complaint ¶¶ 29-76. Those paragraphs explicitly allege conduct by Whole Foods in two other states, Virginia and North Carolina. *See, e.g.*, *id.* ¶ 36, 40-41, 44, 54. Not once, however, does Plaintiff mention specific acts in New York or directed at New York. WFMI is not subject to specific jurisdiction under section 302, and Plaintiff has not legitimately alleged otherwise.

C. Exercising jurisdiction over WFMI would violate the Due Process Clause.

Because New York state law does not confer jurisdiction over WFMI, the Court need not reach the second step of the jurisdictional analysis: federal due process. *See Best Van Lines, Inc. v. Walker*, 490 F.3d 239, 242, 255 (2d Cir. 2007). But WFMI also wins on that step, which provides an independent basis for dismissal under Rule 12(b)(2).

1. WFMI does not have "minimum contacts" with New York.

It is bedrock federal law that personal jurisdiction requires "'minimum contacts'" with the forum state. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475 (1985) (quoting *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)). Minimum contacts exist only if the defendant "purposefully avails itself of the privilege of conducting activities within the forum State," *id.* at 475 (quotation omitted), such that it "should reasonably anticipate being haled into court there," *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

Plaintiff's complaint does not allege minimum contacts. The only allegation even approaching the issue is Plaintiff's unsupported (and inaccurate) statement that WFMI "does business in this District." Complaint ¶ 4. That bare allegation is not enough to satisfy Plaintiff's burden, even at this pre-evidentiary stage. *See, e.g.*, *Doe v. Delaware State Police*, 939 F. Supp. 2d 313, 332 (S.D.N.Y. 2013) (holding that the plaintiff's "conclusory and nonspecific" allegations of minimum contacts failed to "make out a prima facie case"); *Gmurzynska v. Hutton,* 257 F. Supp. 2d 621, 625 (S.D.N.Y.2003) (holding that "conclusory allegations are not enough to establish personal jurisdiction," even given the court's obligation to construe the complaint in a light most favorable to the plaintiff); *Plunket v. Doyle,* No. 99 Civ 11006, 2001 WL 175252, at *3 (S.D.N.Y. Feb. 22, 2001) ("Because plaintiff has alleged no facts, beyond conclusory allegations, tending to show that defendants or their agents had contacts with New York and availed themselves of this forum, plaintiff has not met her due process burden.").

Plaintiff's failure to meet her burden is no surprise. WFMI has not "purposefully avail[ed] itself of the privilege of conducting activities" in New York. *Burger King*, 471 U.S. at 475. To the contrary, WFMI conducts no business in New York and is not even licensed to conduct business here. Yost Decl. ¶ 8. WFMI lacks even random, fortuitous, or attenuated contacts with New York (*see id.* ¶¶ 7-11)—contacts that would *still* be insufficient to create personal jurisdiction. *See Burger King*, 471 U.S. at 480.

2. Exercising jurisdiction over WFMI would not comport with "fair play and substantial justice."

Even when a defendant has minimum contacts with the forum, the Due Process Clause requires that the exercise of jurisdiction comport with "fair play and substantial justice." *Burger King*, 471 U.S. at 477-78. This constitutional prerequisite allows for two types of personal jurisdiction: general and specific. *See Daimler AG v. Bauman*, 134 S. Ct. 746, 754-55 (2014); *Goodyear Dunlop Tires Ops., S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011). These two types of federal personal jurisdiction roughly track their New York counterparts discussed above. *Compare Daimler*, 134 S. Ct. at 754, *with supra* Part I.B. Thus, for reasons already discussed, WFMI is not subject to general *or* specific jurisdiction in this Court under federal law.

Finally, exercising jurisdiction over WFMI would be unreasonable. *See Burger King*, 471 U.S. at 477-78 (explaining that "fair play and substantial justice" includes a reasonableness requirement, separate from *International Shoe*'s "minimum contacts" requirement). It would be unduly burdensome for WFMI—a holding company incorporated in Texas with its principal place of business in Austin—to litigate in a state where it has no presence and conducts no business. *See Burger King*, 471 U.S. at 477. Further, this dispute has no meaningful connection to New York. The State of New York has virtually no "interest in adjudicating the dispute," and litigating here will not promote "the interstate judicial system's interest in obtaining the most efficient resolution." *Id.*

* * *

As Whole Foods will explain in a separately filed motion to transfer under 28 U.S.C. § 1404(a), Plaintiff should have filed this action in the Western District of Texas. But regardless of where Plaintiff should have filed suit, this Court lacks jurisdiction over WFMI. WFMI asks the Court to dismiss it from the action under Rule 12(b)(2).

II. The Court should strike certain portions of Plaintiff's complaint.

Several paragraphs of Plaintiff's complaint impermissibly refer to statements made during the parties' pre-lawsuit settlement discussions. *See* Complaint ¶¶ 43-53, 55-56, 58. "Settlement discussions are inadmissible to show fault under Fed. R. Evid. 408, and accordingly may be stricken from a complaint [under Rule 12(f)] as immaterial and potentially prejudicial." *Kelly v. LL Cool J*, 145 F.R.D. 32, 40 (S.D.N.Y. 1992). Both Whole Foods defendants move to strike the improper paragraphs under Fed. R. Civ. P. 12(f).[3]

[3] The motion to strike is not an "alternative" motion, as WFMG asks the Court to strike the complaint regardless of the outcome of WFMI's motion to dismiss for lack of personal jurisdiction. WFMI, however, joins the motion to strike *only if* the Court denies the motion to

A. Paragraphs 43-53, 55-56, and 58 of the complaint are improper under Federal Rule of Evidence 408.

Federal Rule of Evidence 408 excludes from evidence "conduct or a statement made during compromise negotiations." Fed. R. Evid. 408(a)(2); *see also Stater Corp. v. Converse, Inc.*, 170 F.3d 286, 293 (2d Cir. 1999) ("Rule 408 bars the use of settlement evidence to establish the validity or invalidity of a claim of trademark infringement."). This rule promotes the important public policy of "encouraging settlements and avoiding wasteful litigation." *Trebor Sportswear Co., Inc. v. The Limited Stores, Inc.*, 865 F.2d 506, 510 (2d Cir. 1989). "[L]itigation need not have actually commenced for Rule 408 to apply." *Alpex Comp. Corp. v. Nintendo Co., Ltd.*, 770 F. Supp. 161, 164 (S.D.N.Y. 1991). Rather, the rule applies if the party making the statement "contemplated" litigation at the time. *Olin Corp. v. Insurance Co. of North America,* 603 F. Supp. 445, 450 (S.D.N.Y. 1985).

Although Rule 408 does not apply directly to pre-evidentiary pleadings, "courts have routinely granted motions to strike allegations in pleadings that fall within the scope of Rule 408." *United States ex rel. Alsaker v. CentraCare Health Sys., Inc.*, No. Civ. 99-106, 2002 WL 1285089, at *2 (D. Minn. June 5, 2002). This Court did so in *LL Cool J*, 145 F.R.D. at 39-40, and many other courts have done the same. *E.g.*, *Alsaker*, 2002 WL 1285089, at *2; *Austin v. Cornell Univ.*, 891 F. Supp. 740, 750-51 (N.D.N.Y. 1995); *Braman v. Woodfield Gardens Assocs. Realcorp Investors I*, 715 F. Supp. 226, 230 (N.D. Ill. 1989); *Agnew v. Aydin Corp.*, Civ. A. No. 88-3436, 1988 WL 92872, *4 (E.D. Pa. Sept. 6, 1988); *see also Wu v. Pearson Education, Inc.*, No. 09 Civ. 6557, 2010 WL 3791676, at *1 (S.D.N.Y. Sept. 29, 2010)

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dismiss, which the Court should decide first. *Cf.* Fed. R. Civ. P. 12(g)(2) (requiring Rule 12 objections and defenses to be consolidated into a single motion).

(explaining that this Court "does not condone skirting F.R.E. 408" by including information obtained through settlement discussions in a complaint).

Those decisions apply here. Paragraphs 43-53, 55-56, and 58 of Plaintiff's complaint impermissibly refer to statements made during the parties' settlement discussions on March 27 (by email) and March 31 (by phone). Both of those discussions took place *after* Whole Foods had received Plaintiff's aggressive cease-and-desist letter on March 7. Whole Foods contests the serious allegations in that letter; thus, the parties "had an actual dispute" (*Austin*, 891 F. Supp. at 751) when the discussions took place. *See id.* (striking complaint); *see also Alpex Comp.*, 770 F. Supp. at 163-64 (applying Rule 408 to pre-lawsuit discussions); *Olin Corp.*, 603 F. Supp. at 449-50 (same).

As Plaintiff herself acknowledges, the parties' discussions on March 27 and March 31 came in "response to her cease and desist letter" and were an "*attempt to resolve* this serious issue." Complaint ¶¶ 43, 58 (emphasis added). That language speaks volumes. Plaintiff should not have included statements from settlement discussions in her complaint. The Court should strike the affected paragraphs.

B. Plaintiff's counterarguments fail.

Before filing this motion to strike, Whole Foods asked Plaintiff's counsel to withdraw and amend the improper complaint. Graff Decl. ¶ 10 & Exh. 5. Plaintiff's counsel twice refused, responding with a series of confused, contradictory arguments about why the complaint is proper. *Id.*

1. Plaintiff is wrong that the parties never began discussing settlement.

Plaintiff's counsel claims the parties had "never even begun" discussing settlement before Plaintiff filed her complaint. *Id.* Exh. 5. Counsel gave two reasons for this position: "a)

[Whole Foods] failed to cease its [allegedly] infringing activity; and b) [Whole Foods] has never provided [Plaintiff] with its sales records." *Id.*

Both of those statements are inaccurate, but regardless, counsel's position is a non sequitur. Settlement discussions can begin well before the defendant "cease[s]" (*id.*) the complained-of conduct. Indeed, often the entire purpose of settlement discussions is to reach a deal under which the defendant will cease. As for counsel's second point, Whole Foods' collecting and providing sales data to Plaintiff was not a prerequisite to the parties' beginning settlement talks. Rather, those efforts were *part of* the parties' ongoing settlement talks. Whole Foods is not in the business of giving proprietary sales data to anybody who asks for it. The only reason Whole Foods did so here was to advance ongoing settlement discussions (and ideally, to avoid needless litigation).

Remarkably, Plaintiff's own complaint contradicts her counsel's position. The complaint, filed on April 17, acknowledges that the parties began discussing settlement weeks before. *See* Complaint ¶¶ 43, 58 (stating that the parties' pre-lawsuit discussions were "in response to [Plaintiff's] cease and desist letter" and an "*attempt to resolve* this serious issue" (emphasis added)). So three days *before* her counsel claimed that the parties had never begun to discuss settlement, Plaintiff filed a pleading with this Court saying the opposite. *Compare id.*, *with* Graff Decl. Exh. 5.

This is not a case where the parties' pre-lawsuit discussions were non-adversarial "business communications." *See Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1372-73 (10th Cir. 1977) (declining to apply Rule 408 where parties' corporate officers had discussed advertising issues for a year before the lawsuit). The parties here have no business relationship, and Whole Foods' outside counsel had never spoken to Plaintiff before receiving her cease-and-desist letter on March 7. Graff Decl. ¶ 5; *cf. Pierce v. F.R. Tripler & Co.*, 955 F.2d 820, 827 (2d Cir. 1992) (noting the importance of "timing" and the "existence of a disputed claim" in the Rule 408 context); *Austin*, 891 F. Supp. at 751 (same; striking complaint). Other than pursuing a possible settlement, Whole Foods had no reason to communicate with Plaintiff after receiving her cease-and-desist letter. And tellingly, Plaintiff's counsel never offered a different explanation for the parties' pre-lawsuit discussions.

2. Plaintiff is wrong that Whole Foods had "no expectation of confidentiality."

Plaintiff's counsel claims that Whole Foods had "no expectation of confidentiality" in the March 27 settlement email because Whole Foods sent that email to Plaintiff directly. Graff Decl. Exh. 5. Unsurprisingly, Plaintiff's counsel offers no authority for the proposition that attorney-to-party communications fall outside Rule 408's protection. And regardless, Whole Foods communicated with Plaintiff directly because it was explicitly told to do so—at the time, Plaintiff had not retained counsel for this matter. Graff Decl. ¶¶ 8-9 & Exhs. 3-4.

Plaintiff's counsel also claims that Whole Foods forfeited any expectation of confidentiality by not including a Rule 408 disclaimer or otherwise explicitly indicating that the settlement discussions were "off the record." Graff Decl. Exh. 5. That is not the law. "All that is needed for Rule 408 to apply is an actual dispute, or at least an apparent difference of opinion between the parties as to the validity of a claim." *Alpex Comp.*, 770 F. Supp. at 163. By arguing that a Rule 408 disclaimer is required to invoke that rule's protection, Plaintiff elevates form over substance, undercutting the rule's policy of encouraging candid settlement discussions. *See Trebor*, 865 F.2d at 510; Fed. R. Evid. 408 advisory committee's note.

3. Plaintiff is wrong that her complaint did not use the parties' settlement discussions "to show fault."

Plaintiff's counsel argues that the complaint's references to settlement discussions "were not used to show fault." Graff Decl. Exh. 5; *see also* Fed. R. Evid. 408(a). Nonsense. The complaint repeatedly and explicitly used the settlement discussions to show Whole Foods' supposed fault. *See, e.g.*, Complaint ¶ 43 (alleging that Whole Foods "conceded [its] unauthorized activity" in the March 27 email); *id.* ¶¶ 44, 47-48, 50 (alleging that Whole Foods "admit[ted]" to distributing and selling infringing products in the March 27 email); *id.* ¶¶ 51-53 (alleging that Whole Foods lied about pulling the allegedly infringing merchandise from its shelves in the March 27 email); *id.* ¶ 58 (suggesting that Whole Foods conceded "illegal activity" in the March 31 phone call between the parties' attorneys).

Rule 408 does not allow a party's "provisional concessions uttered in an unsuccessful attempt to reach a settlement agreement" to be used against that party on the merits." *Rein v. Socialist People's Libyan Arab Jamahiriya*, 568 F.3d 345, 352 (2d Cir. 2009). Yet that is exactly what Plaintiff is trying to do. In fact, Plaintiff's counsel conceded as much—*twice*—in the very same email where he argued otherwise. *See* Graff Decl. Exh. 5 (arguing that the settlement discussions are "directly related to the willfulness of [Whole Foods'] infringement"), *and id.* (arguing that the settlement discussions are "evidence of [Whole Foods'] willfulness and neglect in ceasing the sale of the infringing items").

4. Plaintiff is wrong that motions to strike are "not favored" in this context.

Plaintiff's counsel claims that motions to strike are "not favored." *Id.* Although some courts have noted this "disfavored" status as a general matter, motions to strike are *not* disfavored when a complaint impermissibly reveals statements from settlement discussions. In fact, "courts have *routinely* granted motions to strike" in this context. *Alsaker*, 2002 WL 1285089, at *2 (emphasis added); *see also supra* p. 11 (collecting cases).

5. Plaintiff is wrong that the improper portions of the complaint "could form the basis for admissible evidence."

Finally, Plaintiff's counsel claims that the complaint is proper because Whole Foods' statements during settlement discussions could lead to admissible evidence. Graff Decl. Exh. 5. Although unclear, that remark may refer to Rule 408(b). Rule 408(b) provides a limited exception to Rule 408(a)'s exclusion of settlement discussions when the discussions are offered for "another purpose[]" besides liability—e.g., "proving a witness's bias or prejudice, negating a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution." Fed. R. Evid. 408(b).

The Rule 408(b) exception does not apply here.[4] As explained above, Plaintiff's complaint repeatedly uses the settlement discussions to establish Whole Foods' supposed liability. *See supra* Part II.B.3. Regardless of whether the statements *could* be used for some other hypothetical purpose, Plaintiff has already shown her hand. She believes that the statements show Whole Foods' fault, and she intends to use them that way. That is improper under Rule 408, and this Court should strike the affected paragraphs from the complaint.

CONCLUSION

Defendants ask the Court for the following relief:

1. Defendant WFMI asks the Court to dismiss the complaint against it for lack of personal jurisdiction under Fed. R. Civ. P. 12(b)(2);

[4] Both this Court and the Second Circuit have cautioned against expanding the Rule 408(b) exception in ways that would undercut the policy of encouraging candid settlement discussions. *See Trebor*, 865 F.2d at 510-11; *Alpex Comp.*, 770 F. Supp. at 167.

2. Both Defendants—WFMI and WFMG—ask the Court to strike paragraphs 43-53, 43-53, 55-56, and 58 from Plaintiff's complaint under Fed. R. Civ. P. 12(f), but WFMI joins in this motion only if the Court first denies WFMI's Rule 12(b)(2) motion to dismiss.

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Respectfully submitted,

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